

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

APPLIED ELASTOMERICS, INCORPORATED, a
California corporation,

Plaintiff/Counter-
Defendant,

v.

Z-MAN FISHING PRODUCTS, INCORPORATED,
a South Carolina corporation,

Defendant/Counter-
Complainant.

No. C 06-2469 CW

ORDER GRANTING IN
PART PLAINTIFF'S
MOTION TO DISMISS
DEFENDANT'S
COUNTER-CLAIMS
AND DENYING IT IN
PART

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Plaintiff Applied Elastomerics, Incorporated (AEI) has filed a motion to dismiss ten of the twelve counter-claims filed by Defendant and Counter-Complainant Z-Man Fishing Products, Incorporated. (Docket No. 40.) Plaintiff moves to dismiss the first counter-claim for breach of the license agreement for failure to provide formulas covered by Plaintiff's patent rights, the second counter-claim for breach of the license agreement for failure to maintain exclusivity, the fourth counter-claim

1 for fraudulent inducement, the fifth counter-claim for negligent
2 misrepresentations, the sixth counter-claim for fraud in the
3 execution, the seventh counter-claim for declaratory judgment of no
4 breach of contract by Defendant, due to lack of consideration
5 resulting from Plaintiff's failure to provide Defendant with a
6 formula within the scope of Plaintiff's patent rights or that
7 worked for its intended purpose, the eighth counter-claim for
8 declaratory judgment of no breach of contract by Defendant, due to
9 lack of consideration resulting from Plaintiff's failure to
10 maintain exclusivity, the ninth counter-claim for declaratory
11 judgment of no breach of contract by Defendant because Defendant's
12 performance under the license agreement is excused by Plaintiff's
13 prior material breach of the license agreement by failing to
14 provide Defendant with a formula within Plaintiff's patent rights
15 or that was appropriate for its intended use, the tenth counter-
16 claim for declaratory judgment of no breach of contract by
17 Defendant because Defendant's performance under the license
18 agreement is excused by Plaintiff's prior material breach of the
19 license agreement by failing to maintain exclusivity, and the
20 twelfth counter-claim for restitution for unjust enrichment
21 pursuant to Federal Rules of Civil Procedure 9(b) and 12(b)(6).
22 Defendant opposes this motion. The matter was heard on November 3,
23 2006. Having considered all of the papers filed by the parties and
24 oral argument on the motion, the Court GRANTS Plaintiff's motion in
25 part and DENIES it in part.

26 BACKGROUND

27 The following facts are taken from Defendant's Counter-
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1 Complaint and Exhibit A, the Patent License Agreement (the
2 Agreement). Plaintiff develops and distributes products containing
3 gel composites, particularly gel toys. Defendant develops and
4 manufactures fishing lure components and fishing lures for major
5 lure manufacturers. Defendant has been known for its original
6 development and manufacture of silicone skirts for lures.

7 For many years prior to 2001, Mike Shelton, Defendant's Vice
8 President of Marketing and Sales and Director of Technology, had
9 been leading efforts to develop improved plastic lures for
10 Defendant. In doing so, he conducted extensive polymer research
11 and testing.

12 In July, 2001, Plaintiff and Defendant executed the Agreement.
13 The Agreement recites that Plaintiff owns and has rights to license
14 certain "Patent Rights." (Agreement, Recitals.) Patent Rights are
15 defined in the Agreement as "the United States and international
16 patents listed on Schedule A" Schedule A lists four United
17 States patents owned by Plaintiff. (Agreement, Schedule A.)

18 In the Agreement, Plaintiff grants Defendant "a nonexclusive,
19 royalty-bearing license under its rights in the Patent Rights, to
20 the extent not prohibited by other patents, to develop, make, have
21 made, use, offer to sell, sell, lease, export and import Licensed
22 Products" (Agreement, § 2.1(a).) Licensed Products are
23 defined as

24 one or more fishing lure products . . . which is
25 developed, manufactured, . . . or purchased from a third
26 party for marketing by [Defendant] under [Defendant's]
27 specifications and trademarks . . . as listed by product
28 item number, described, defined, and with the designation
of the type of gel composition used on Schedule B . . .
that cannot be manufactured made, used, offered for sale,

1 leased or sold, in whole or in part, without infringing
2 one or more of the Patent Rights.

3 (Agreement, § 1.3.) Schedule B lists one product, a fishing lure
4 made from SEEPS gel. (Agreement, Schedule B.)

5 The Agreement also grants Defendant a "nonexclusive license to
6 use AEI Technology in connection with the manufacture, use, and
7 sale of Licensed Products." (Agreement, § 2.1(b).) AEI Technology
8 is defined as "materials, any information relating to manufacturing
9 techniques, know-how, processes, developments, experimental works,
10 works in progress, trade secrets, or any other matter relating to
11 the business of [Plaintiff] or developed by [Plaintiff] . . .
12 related to Licensed Product(s)." (Agreement, § 1.13.)

13 In partial consideration for this grant of rights, Defendant
14 was obliged under the Agreement to pay running royalties based on
15 its revenue from sales of Licensed Products. (Agreement, § 4.2.)
16 Defendant was also obliged to pay Plaintiff minimum royalties each
17 calendar quarter. (Agreement, § 4.6(a).)

18 Regarding infringement of the Patent Rights, the Agreement
19 provides that Defendant "shall have the right, under its own
20 control and at its own expense, to prosecute any third party
21 infringement of the Patent Rights" (Agreement, § 7.2.)
22 The Agreement also provides that Plaintiff "shall have the right,
23 at its sole discretion, to prosecute such infringement, or answer
24 such declaratory judgment action, under its sole control and at its
25 sole expense, and any recovery obtained shall be given to
26 [Plaintiff]." (Agreement, § 7.5.)

27 The Agreement contains a clause specifying that "EXCEPT AS
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1 OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER
2 [DEFENDANT] NOR [PLAINTIFF] MAKES ANY REPRESENTATIONS . . . OF ANY
3 KIND CONCERNING THE PATENT RIGHTS, EXPRESS OR IMPLIED,"
4 (Agreement, § 10.1.) The Agreement also contains an "Entire
5 Agreement" clause: "Except for the Confidential Agreement . . . ,
6 this Agreement constitutes the entire agreement between the parties
7 with respect to its subject matter and supercedes all prior
8 agreements or understandings between the parties relating to its
9 subject matter." (Agreement, § 10.12.)

10 The Agreement also contains a "Governing Law" clause, which
11 specifies that the Agreement "and all disputes arising out of or
12 related to [it], or the performance, enforcement, breach or
13 termination thereof, and any remedies relating thereto, shall be
14 construed, governed, interpreted and applied in accordance with the
15 laws of the State of California, U.S.A., without regard to conflict
16 of laws principles" (Agreement, § 10.8.)

17 Defendant first began shipping its CYBERFLEXXX products at the
18 end of the first quarter of 2002. Customers reported that these
19 products deformed when exposed to heat. In March, 2002, the
20 products were taken off the market to allow examination of the
21 problem. Plaintiff began shipping an improved second line of
22 products late in the third quarter of 2002.

23 Although the distortion problem was solved, the new products
24 became tacky and undesirable upon wetting and drying and were
25 considered too soft by some. In February, 2003, the products were
26 again taken off the market to examine the new problems. Around
27 this time, Defendant notified Plaintiff through Plaintiff's
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1 president, John Chen, of infringing products in the marketplace.
2 In response, Plaintiff assured Defendant that it would notify the
3 infringing producers of the infringement and demand that it stop.
4 Plaintiff did not, however, prosecute the infringing producers.

5 During Defendant's product development process, Mr. Chen, on
6 behalf of Plaintiff, provided Defendant with a limited number of
7 gel formulas. These gels were incorporated into Defendant's first
8 and second product lines. The formulas were represented to be
9 within the scope of the Patent Rights, but in fact were not.

10 Defendant then researched and developed a third line of
11 products without input from Plaintiff. By May 5, 2005, this
12 research and development resulted in a line of usable lures.

13 LEGAL STANDARD

14 A motion to dismiss for failure to state a claim will be
15 denied unless it is "clear that no relief could be granted under
16 any set of facts that could be proved consistent with the
17 allegations." Falkowski v. Imation Corp., 309 F.3d 1123, 1132 (9th
18 Cir. 2002) (citing Swierkiewicz v. Sorema N.A., 534 U.S. 506
19 (2002)). Dismissal of a complaint can be based on either the lack
20 of a cognizable legal theory or the lack of sufficient facts
21 alleged under a cognizable legal theory. Balistreri v. Pacifica
22 Police Dept., 901 F.2d 696, 699 (9th Cir. 1990).

23 All material allegations in the complaint will be taken as
24 true and construed in the light most favorable to the plaintiff.
25 NL Indus., Inc. v. Kaplan, 792 F.2d 896, 898 (9th Cir. 1986).

26 Although the court is generally confined to consideration of
27 the allegations in the pleadings, when the complaint is accompanied
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1 by attached documents, such documents are deemed part of the
2 complaint and may be considered in evaluating the merits of a Rule
3 12(b)(6) motion. Durning v. First Boston Corp., 815 F.2d 1265,
4 1267 (9th Cir. 1987).

5 A complaint must contain a "short and plain statement of the
6 claim showing that the pleader is entitled to relief." Fed. R.
7 Civ. P. 8(a). "Each averment of a pleading shall be simple,
8 concise, and direct. No technical forms of pleading or motions are
9 required." Fed. R. Civ. P. 8(e). However, "[i]n all averments of
10 fraud or mistake, the circumstances constituting fraud or mistake
11 shall be stated with particularity." Fed. R. Civ. P. 9(b).

12 DISCUSSION

13 I. First, Seventh and Ninth Counter-Claims

14 Plaintiff contends that Defendant fails to state a claim for
15 breach of contract for failure to provide formulas covered by the
16 patent rights because Plaintiff is not obliged under the Agreement
17 to provide formulas covered by the Patent Rights. Rather,
18 Plaintiff argues, its only obligation under the Agreement is not to
19 sue Defendant for infringement of the Patent Rights.

20 Defendant argues that Plaintiff, by granting Defendant a
21 license to make Licensed Products, became obliged to provide
22 Defendants with certain formulas that would enable Defendant to
23 make those products. Or, if the Agreement does not expressly
24 oblige Plaintiff to provide formulas, Defendant claims that it is
25 ambiguous as to whether the Agreement creates such an obligation.
26 However, the license agreement only grants Defendant the right to
27 use patents that Plaintiff already had -- the Patent Rights -- and
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1 technology Plaintiff had already developed or might develop -- AEI
2 Technology. Additionally, Defendant could use these patents and
3 this technology only to make lures with SEEPS gel. The Agreement
4 permits Defendant to create and sell these lures; it does not
5 oblige Plaintiff to provide Defendant with the specific formulas
6 necessary to make them. Therefore, Defendant's first counter-claim
7 does not state a claim for which relief can be granted.

8 Additionally, Defendant argues that, if Plaintiff was not
9 obliged under the Agreement to provide specific formulas for making
10 the lures, the Agreement is void for failure of consideration.
11 However, even if Defendant never produced the lures covered by the
12 Agreement, the exclusive right to produce such lures was a benefit
13 that accrued to Defendant under the Agreement. Therefore, although
14 the Agreement did not oblige Plaintiff to provide Defendant with
15 specific formulas, the Agreement is not void for failure of
16 consideration. Accordingly, Defendant's first counter-claim is
17 dismissed.

18 Regarding the Seventh and Ninth Counter-Claims, Plaintiff
19 argues that Defendant has failed to state a claim for a declaratory
20 judgment that Defendant has not breached the Agreement because of
21 failure of consideration due to Plaintiff's failure to provide
22 formulas that either were within the scope of the Patent Rights or
23 that worked for their intended purposes. Plaintiff also argues
24 that Defendant has failed to state a claim for a declaratory
25 judgment that Defendant has not breached the Agreement because
26 Defendant's performance is excused due to Plaintiff's failure to
27 provide formulas that were either within the scope of the Patent
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1 Rights or appropriate for their intended use.

2 As discussed above, the Agreement did not oblige Plaintiff to
3 provide Defendant with any specific formulas. The Agreement only
4 obliges Plaintiff to permit Defendant to use certain patents and
5 technology that Plaintiff had developed or might develop.

6 Therefore, Defendant's seventh and ninth counter-claims do not
7 state claims for which relief can be granted. Accordingly,
8 Defendant's seventh and ninth counter-claims are dismissed.

9 Defendant does not proffer any amendment to the first, seventh, or
10 ninth counter-claims that would remedy the deficiencies described
11 but, in an abundance of caution, the Court grants it leave to amend
12 to attempt to do so.

13 II. Second, Eighth and Tenth Counter-Claims

14 Plaintiff contends that Defendant fails to state a claim for
15 breach of contract for failure to maintain exclusivity. Plaintiff
16 argues that the unambiguous terms of the Agreement do not oblige
17 Plaintiff to maintain exclusivity. Defendant argues that the
18 Agreement does so expressly. The Agreement permits Plaintiff to
19 maintain exclusivity. However, the Agreement provides only that
20 Plaintiff has the option of maintaining exclusivity, not the
21 obligation. Therefore, the Agreement does not expressly oblige
22 Plaintiff to maintain exclusivity.

23 Defendant also alleges that Plaintiff made a collateral
24 agreement to maintain exclusivity. Defendant argues that because
25 assuming such an obligation is not inconsistent with the language
26 of the Agreement, the parole evidence rule does not bar any of its
27 counter-claims based on allegations of such a collateral agreement.

1 However, when parties have agreed that a writing is a complete
2 and final embodiment of their agreement, parole evidence cannot be
3 used to add to or vary its terms. A. Kemp Fisheries, Inc. v.
4 Castle & Cook, Inc., 852 F.2d 493, 495 (9th Cir. 1988) (quoting
5 Masterson v. Sine, 68 Cal. 2d 222, 225 (1968)). Plaintiff and
6 Defendant have expressed their intent that the Agreement
7 constitutes the entire agreement between the parties relating to
8 its subject matter. (Agreement, § 10.12.)

9 Section seven of the Agreement specifically addresses the
10 parties' rights and obligations in the event that the Patent Rights
11 are infringed upon. Because section seven does not oblige
12 Plaintiff to maintain exclusivity, any collateral agreement that
13 Plaintiff would assume such an obligation would vary the terms of
14 this section. Under California's parole evidence rule, Defendant
15 will therefore not be able to prove this collateral agreement.
16 Because proof of such an agreement is necessary to Defendant's
17 second counter-claim, it does not state a claim for which relief
18 can be granted. Accordingly, Defendant's second counter-claim is
19 dismissed.

20 Plaintiff also contends that Defendant's eighth counter-claim,
21 declaratory judgment of no breach due to failure of consideration
22 for failure to maintain exclusivity, and tenth counter-claim,
23 declaratory judgment of no breach because performance is excused
24 due to prior material breach for failure to maintain exclusivity,
25 fail to state a claim for which relief can be granted. Plaintiff
26 argues that, because it is not obliged under the Agreement to
27 maintain exclusivity, its failure to prosecute infringing users

1 resulted in neither a failure of consideration nor a material
2 breach on its part.

3 As discussed above, Plaintiff is not obliged under the
4 Agreement to maintain exclusivity. Therefore, the fact that
5 Plaintiff did not prosecute infringing users did not result in a
6 failure of consideration or a material breach. Accordingly,
7 Defendant's eighth and tenth counter-claims do not state claims for
8 which relief can be granted. Defendant's second, eighth and tenth
9 counter-claims are dismissed. Defendant does not proffer any
10 amendment to the second, eighth, or tenth counter-claims that would
11 remedy the deficiencies described, but in an abundance of caution,
12 the Court grants it leave to amend to attempt to do so.

13 III. Fourth Counter-Claim

14 Plaintiff argues that Defendant's claim for fraud in the
15 inducement must be dismissed for failure to state a claim.
16 Specifically, Plaintiff argues that Defendant does not and cannot
17 plead an essential element of the claim: justifiable reliance on
18 Plaintiff's alleged misrepresentations.

19 Reliance on representations that contradict clear and
20 unambiguous terms of an agreement is unjustified as a matter of
21 law. Hadland v. NN Investors Life Ins. Co., 24 Cal. App. 4th 1578,
22 1588 (1994). Defendant alleges that Mr. Chen represented that
23 Plaintiff would maintain exclusivity and that it had been enforcing
24 and would continue to enforce its patents. (Counter-Complaint, ¶
25 64, allegations 2 and 4.) However, as discussed above, the
26 Agreement contradicts any such representation by providing that
27 Plaintiff had the option to maintain exclusivity at its sole
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1 discretion. Therefore, Defendant's reliance on any contrary
2 representation is unjustified as a matter of law. Accordingly,
3 Defendant cannot state a claim for fraud in the inducement based on
4 allegations that Plaintiff represented that it would maintain
5 exclusivity.

6 Defendant also alleges that Mr. Chen represented that the
7 patents Plaintiff was licensing would provide Defendant with what
8 it needed for its line of lures. (Counter-Complaint, ¶ 64,
9 allegation 1.) However, the Agreement contradicts any such
10 representation by stating that, except as provided in the
11 Agreement, Plaintiff makes no representations concerning the patent
12 rights. (Agreement § 10.1.) Therefore, Defendant's reliance on
13 any such representation is unjustified as a matter of law.
14 Accordingly, Defendant cannot state a claim for fraud in the
15 inducement based on allegations that Plaintiff represented that the
16 licensed patents would provide Defendant with what it needed for
17 its lures.

18 Defendant argues that a contract provision that provides that
19 no party is relying on any extrinsic representations does not
20 prohibit a party from introducing parole evidence to prove
21 fraudulent misrepresentation. Defendant relies on Ron Greenspan
22 Volkswagen, Inc. v. Ford Motor Land Development Corp., 32 Cal. App.
23 4th 985, 994-95 (1995) for this proposition. However, the
24 Agreement does not contain a general disclaimer that no party has
25 relied on any representations of any kind outside of the Agreement,
26 as was the case in Ron Greenspan. Rather, the provision in the
27 Agreement specifies that all representations concerning the patent
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1 rights are expressed in the Agreement. Therefore, Ron Greenspan is
2 distinguishable.

3 Defendant makes one allegation which states a claim for
4 fraudulent inducement: that Mr. Chen represented that he would
5 maintain the confidentiality of Defendant's proprietary
6 information. (Counter-Complaint, ¶ 64, allegation 3.) However,
7 Plaintiff also argues that Defendant's fourth counter-claim should
8 be dismissed for failure to plead fraud with particularity.

9 Defendant's fraudulent inducement claim sounds in fraud and so
10 must be plead with the particularity required by Federal Rule of
11 Civil Procedure 9(b). Vess v. Ciba-Geigy Corp., 317 F.3d 1097,
12 1106 (9th Cir. 2002). To satisfy this particularity requirement, a
13 party alleging fraud must state the time, place, and specific
14 content of the false representations as well as the identities of
15 the parties to the misrepresentation. Edwards v. Marin Park, Inc.,
16 356 F.3d 1058, 1066 (9th Cir. 2004). Additionally, the party must
17 include an explanation as to why the statement was untrue or
18 misleading when made. Yourish v. California Amplifier, 191 F.3d
19 983, 993 (9th Cir. 2004).

20 Defendant concedes that it has failed to state when, where and
21 to whom Mr. Chen allegedly represented that he would maintain the
22 confidentiality of Defendant's proprietary information and the
23 specific contents of this representation. Furthermore, Defendant
24 seems to concede that it has not provided an explanation as to why
25 this representation was untrue or misleading when made. Because
26 all of these allegations are required to plead fraud, Defendant's
27 fourth counter-claim is dismissed. Defendant is granted leave to
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1 amend this counter-claim to allege when, where, and to whom Mr.
2 Chen made this representation, the specific contents of this
3 representation, and an explanation as to why this representation
4 was untrue when made.

5 IV. Fifth Counter-Claim

6 Defendant bases its claim of negligent misrepresentation on
7 the same four alleged misrepresentations that form the basis of its
8 claim for fraud in the inducement. The rulings regarding these
9 misrepresentations apply to this claim as well. Accordingly,
10 Defendant was unjustified as a matter of law in relying on
11 representations by Plaintiff that it would maintain exclusivity and
12 that the patents would provide Defendant with all that it needed
13 for its line of lures.

14 Plaintiff argues that Defendant fails to plead its negligent
15 misrepresentation claim with sufficient particularity. Claims for
16 negligent misrepresentation must meet the heightened pleading
17 requirement of Rule 9(b). Glen Holly Entm't, Inc. v. Tektronix,
18 Inc., 100 F. Supp. 2d 1086, 1093 (C.D. Cal. 1999). For the one
19 alleged misrepresentation upon which Defendant can base this claim,
20 Defendant fails to specify when, where or to whom it was made or
21 its specific content. Therefore, Defendant's fifth counter-claim
22 is not plead with sufficient specificity and is dismissed.

23 Defendant is granted leave to amend this counter-claim to allege
24 when, where and to whom this misrepresentation was made and its
25 specific content.

26 V. Sixth Counter-Claim

27 Plaintiff argues that Defendant has failed to state a claim
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1 for fraud in the execution of the contract. Under California law,
2 a claim for fraud in the execution addresses the inception of the
3 agreement, claiming that the promissor is deceived as to the nature
4 of his act and actually does not know what he is signing or does
5 not intend to enter into a contract at all. Rosenthal v. Great
6 Western Fin. Sec. Corp., 14 Cal. 4th 394, 415 (1996).

7 Defendant alleges that it was deceived as to whether the
8 Agreement would provide everything it needed to make its lures and
9 therefore it was deceived into signing something other than what it
10 thought it was signing. However, Defendant does not allege that it
11 was deceived as to the nature of its act or did not know it was
12 entering into a contract when Mr. Shelton executed the Agreement,
13 as required for a claim for fraud in the execution. Rather,
14 Defendant seems to concede that it knew that it was entering into a
15 contract. Therefore, Defendant fails to state a claim for fraud in
16 the execution and its sixth counter-claim is dismissed. Defendant
17 may amend its counter-complaint if it can adequately state a claim
18 for fraud in the execution.

19 However, Defendant's claim for fraud in the execution appears
20 to be more properly characterized as another basis for a claim of
21 fraud in the inducement. Specifically, Defendant appears to
22 contend that it relied on Plaintiff's misrepresentation that
23 Plaintiff had provided Defendant with all of Plaintiff's patents
24 that would be applicable to Defendant's line of lures. Therefore,
25 Defendant may amend its fourth and fifth counter-claims to plead
26 another basis for claims of fraud and misrepresentation. As
27 discussed above, such claims for fraud and misrepresentation must
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1 be plead with the particularity required by Rule 9(b) of the
2 Federal Rules of Civil Procedure.

3 VI. Twelfth Counter-Claim

4 Plaintiff argues that Defendant's counter-claim for unjust
5 enrichment is barred as a matter of law because, under California
6 law, unjust enrichment claims cannot be made where there is an
7 express contract that defines the parties' rights. Plaintiff
8 relies on California Med. Ass'n, Inc. v. Aetna U.S. Healthcare of
9 California, 94 Cal. App. 4th 151, 172 (2001) for this proposition.
10 However, another California court of appeal case has held that
11 within the same action a party may seek rescission and,
12 alternatively, damages based upon contract in the event rescission
13 cannot be obtained. Walters v. Marler, 83 Cal. App. 3d 1, 16
14 (1978).

15 California appellate courts may be split on whether contract
16 and quasi-contract claims may be alleged in the same complaint.
17 However, Federal Rule of Civil Procedure 8(e)(2) provides, "A party
18 may set forth two or more statements of a claim or defense
19 alternately or hypothetically, either in one count or defense or in
20 separate counts or defenses. . . . A party may also state as many
21 separate claims or defenses as the party has regardless of
22 consistency and whether based on legal, equitable, or maritime
23 grounds." Under this Rule, Defendant may plead alternative
24 theories. Therefore, the motion to dismiss this claim is denied.

25 CONCLUSION

26 For the foregoing reasons, Plaintiff's motion to dismiss
27 Defendant's first, second, fourth, fifth, sixth, seventh, eight,
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1 ninth and tenth counter-claims is GRANTED and those claims are
2 dismissed with leave to amend. Plaintiff's motion to dismiss
3 Defendant's twelfth counter-claim is DENIED.

4 Defendant may amend its counter-complaint to remedy the
5 deficiencies in the claims that it had attempted to plead in its
6 first counter-complaint. However, if Defendant wishes to plead
7 counter-claims based on new theories it must move for leave to file
8 an amended counter-complaint, pursuant to Rule 15 of the Federal
9 Rules of Civil Procedure. Before moving for such leave, Defendant
10 shall confer with Plaintiff to seek a stipulation to include such
11 new theories in its amended counter-claims, subject to another
12 motion to dismiss. Defendant shall file its amended counter-
13 complaint no later than November 23, 2007.

14 If the related South Carolina case is transferred to the
15 Northern District of California, Defendant may include in its
16 amended counter-complaint any claims alleged that case that have
17 not yet been alleged in the case at bar. This will enable
18 Plaintiff to move at once to dismiss Defendant's amended counter-
19 claims as well as Defendant's claims from the South Carolina case.

20 IT IS SO ORDERED.

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22 Dated: 11/8/06



23 CLAUDIA WILKEN
24 United States District Judge
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